

Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 NEA-10 ISO-00 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 FEA-01
ERDA-05 CEA-01 DODE-00 FPC-01 H-01 INT-05 L-03
NSC-05 PM-04 OES-06 SS-15 STR-04 ACDA-07 PA-01
PRS-01 /119 W

-----160640Z 093780 /23-12

R 151649Z APR 77

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 4422

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY SANTIAGO

AMEMBASSY KUWAIT

AMEMBASSY TRIPOLI

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E.O. 11652: N/A

TAGS: ECON, EAID, EFIN, PE

SUBJECT: PROPOSED ARAB-LATIN AMERICAN BANK

REF: A) STATE 77862, B) SANTIAGO 3003,
C) 76 LIMA 531 (NOTAL), D) 76 LIMA 2309 (NOTAL)

1. LIMA PRESS CARRIED WIRE SERVICE STORIES SIMILAR
TO THAT REPORTED REF A.

2. IN ADDITION, PERUVIAN PRESS GAVE HEAVY COVERAGE
TO LIMA VISIT APRIL 10-12 BY ARAB BANKERS WHO HAD
ATTENDED ALIDE MEETING AND WHO APPEARED TO BE
PRINCIPAL PROMOTERS OF ARAB-LATIN AMERICAN BANK.
PRESS IDENTIFIED VISITORS AS ABDULLA SAUDI, PRESIDENT
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OF LIBYAN ARAB FOREIGN BANK (100 PERCENT STATE-OWNED);
ABDULLWAHAB AL-TAMMAR, PRESIDENT OF THE KUWAIT
FOREIGN TRADING, CONTRACTING AND INVESTMENT
COMPANY (80 PERCENT STATE-OWNED); AND SALEM ZENATY,
ASSISTANT GENERAL MANAGER OF THE ARAB-SPANISH
BANK. SAUDI, WHO ACCORDING TO RELIABLE EMBASSY
CONTACT ALSO HAS TIES WITH ARAB-SPANISH BANK, HAS

MADE AT LEAST ONE PREVIOUS TRIP TO PERU IN CONNECTION WITH POSSIBLE ARAB FINANCING OF OCCIDENTAL PETROLEUM'S SPUR PIPELINE AND OTHER PERUVIAN DEVELOPMENT PROJECTS.

3. DURING VISIT SAUDI AND HIS COMPANIONS MET WITH FINANCE MINISTER BARUA, PRESIDENT AND GENERAL MANAGER OF BANCO DE LA NACION, PRESIDENT OF CENTRAL RESERVE BANK AND OTHER OFFICIALS OF STATE AND PRIVATE PERUVIAN BANKS. ACCORDING TO EMBASSY SOURCE WHO WAS INVOLVED BOTH IN EARLIER DISCUSSIONS WITH SAUDI AND IN THIS VISIT, BANCO DE LA NACION AND BANCO DE CREDITO WILL PUT UP APPROXIMATELY 7 PERCENT OF THE EXPECTED \$100 MILLION CAPITAL OF ARAB-LA BANK. (SOURCE WAS NOT SURE IF TWO PERUVIAN BANKS) WOULD PUT IN 7 PERCENT EACH OR WOULD SPLIT CONTRIBUTION). SOURCE CONFIRMED PRESS REPORTS THAT ARAB BANKS WOULD CONTRIBUTE 60 PERCENT OF CAPITAL, WITH LA INSTITUTIONS PROVIDING REMAINDER. SOURCE ALSO CONFIRMED THAT ARAB-LA BANK WOULD BE COMMERCIAL BANK, AT LEAST AT OUTSET.

4. SOURCE NOTED THAT ALTHOUGH SEVERAL LA COUNTRIES (PRESS REPORTS MENTION ARGENTINA, BRAZIL, CHILE, PERU AND COLOMBIA), INDICATED INTEREST IN JOINING IN ARAB-LA BANK AND THAT SAUDI HAD STATED THAT BANK WOULD BE ESTABLISHED IN SECOND HALF OF 1977, BANKING REGULATIONS IN THESE COUNTRIES COULD PROVE TO BE SERIOUS HURDLE. HE SAID THE ARABS WERE LIMITED OFFICIAL USE

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VISITING SEVERAL OF THESE COUNTRIES TO DISCUSS ESTABLISHMENT OF BANK WITH GOVERNMENT AND BANKING OFFICIALS AND TO EXAMINE POSSIBLE SITES FOR BANK'S HEADQUARTERS. SAUDI AL-TAMMAR AND ZENATY FLEW TO BOGOTA AFTER THEIR LIMA VISIT.

5. COMMENT: WHILE THERE APPEARS TO BE SOME SERIOUS INTEREST ON PART OF PERUVIANS TO JOIN IN FORMATION OF ARAB-LA BANK, PRESS PLAY HERE WAS OVERLY OPTIMISTIC AND MAINLY REFLECTED GOP DESIRE TO SHOW OFF FOREIGN (ESPECIALLY OIL-RICH ARAB) INTEREST IN INVESTING IN PERU. EARLIER VISIT BY SAUDI ALSO GENERATED HIGHLY FAVORABLE SPECULATION BY GOVERNMENT CONTROLLED PRESS, WITH LITTLE TANGIBLE RESULTS FOR PERU. IN LIGHT OF BANKING REGULATION HURDLE MENTIONED ABOVE, FACT THAT ARAB AND PERUVIAN INTERESTS DO NOT COINCIDE (WITH FORMER INTERESTED IN COMMERCIAL VENTURE AND LATTER LOOKING FOR DEVELOPMENT FUNDS), AND PREVIOUS EXPERIENCE

FOLLOWING SAUDI'S EARLIER VISIT I.E. MEAGER
RESULTS AFTER HIGHLY PUBLICIZED AND OPTIMISTICALLY
REPORTED VISIT), WE ARE SKEPTICAL THAT ARAB-LA
BANK WILL BE ESTABLISHED AS QUICKLY AS SAUDI HAS
CLAIMED. DEAN

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